



IMCC BONDING WORKSHOP

Nevada Long-Term Funding Mechanisms

Nevada - Bureau of Land Management

August 21, 2013

Nevada Mining

Nevada has the Largest Mining Program in the BLM

- ▣ 200 Active Mining and Exploration Plans
- ▣ 400 Active Exploration Notices (<5 acres each)
- ▣ More than 200,000 active mining claims (48% of BLM total)
- ▣ BLM Nevada recorded its 1 Millionth mining claim in 2008
- ▣ Nevada produces about 73.5% of U.S. gold production
- ▣ Fifth largest producer of gold in the world

2011 NV PRODUCTION

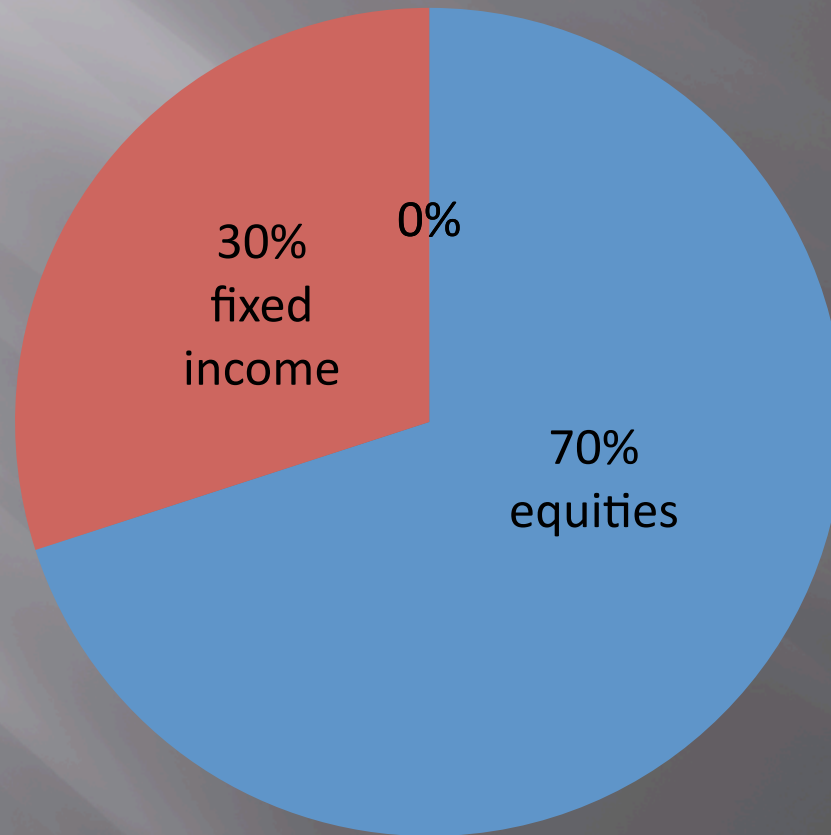
- ◆ **GOLD**
5.5 MM OZ
- ◆ **SILVER**
7.1 MM OZ
- ◆ **COPPER**
124 MM LB



Long-Term Funding Mechanisms

- ▣ Designed to cover post-closure obligations
- ▣ Nevada has 8 plans that have LTFMs
- ▣ Investment mix varies (equities vs. fixed income)
- ▣ Shorter term funding needs have less equities
- ▣ Income of fund covers future expenditures
- ▣ Operator (Grantor) funds trust
- ▣ Bank (Trustee) manages trust
- ▣ BLM is Beneficiary

LTFM Fund Allocation (Example)



Requiring a LTFM

- ▣ Considers the following:
 - Anticipated post-mining obligations
 - Reasonable degree of certainty
 - Obligation rests with the Operator
 - Not feasible to bond

Trust Fund Agreement

- ▣ Provides for:
- ▣ Long term obligations are met
- ▣ Access to funds is under BLM control
- ▣ Isolated from bankruptcy
- ▣ BLM decides when trust no longer needed

Post-Mining Obligations

- ▣ Long term costs associated with active and/or passive treatment of:
 - Process solution drain-down/disposal
 - Pit lake water quality
 - Acid rock drainage
 - Ground water contamination
 - Dewatering mitigation
 - Other site specific obligations

LTFM Cost Estimate

Covers:

- ▣ Monitoring
- ▣ Construction
- ▣ Operation
- ▣ Maintenance
- ▣ Replacement
- ▣ Any activities associated with facilities and treatment processes
- ▣ BLM administrative costs
- ▣ Costs stated as Net Present Value (NPV)

NPV Discount Rate (Example)

Example Discount Rate Calculation

Equity allocation	70%
Fixed income allocation	30%
Nominal return equity	9.95%
Nominal return fixed income	6.06%
Nominal portfolio return	8.78%
Tax rate on equity return	15%
Tax rate on fixed income return	35%
Taxes on equity return	1.49%
Taxes on fixed income return	2.12%
Total tax drag on portfolio	1.68%
Inflation rate	3.50%
Fund management fee	0.25%
Net discount rate	3.35%

Cost Estimate

- ▣ Uses existing tools to determine monitoring and maintenance costs
 - Nevada Standardized Reclamation Cost Estimator (SRCE)
 - Process Fluids Cost Estimator (PFCE)
 - Other modeling tools as appropriate
 - Vendor quotes, etc.
- ▣ Determine timeframes for expenditures
 - Monitoring
 - Periodic Repairs
 - Replacements

Funding Amount

- ▣ Trust funds provide for:
- ▣ Construction, operation, maintenance
- ▣ Replacement of treatment facilities and infrastructure
- ▣ BLM administrative costs
- ▣ Trust management fees, taxes, etc.

Funding the Trust

- ▣ BLM may require full funding or deposits over a period of time
- ▣ Time deposits are made annually and must be guaranteed by a bond (supplemental interim surety)

Release of Liability

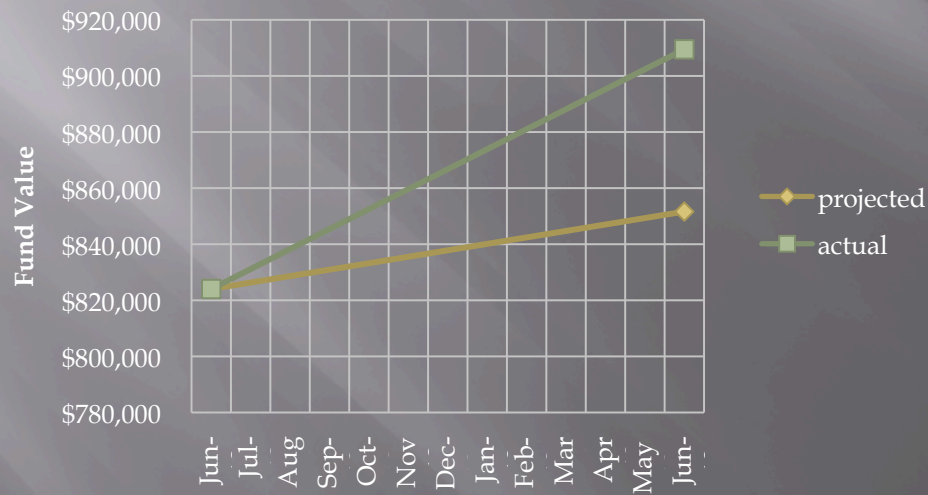
- ❑ Trust fund does not release Operator from reclamation/closure obligations
- ❑ Operator's responsibility to perform continues until obligations are met

Monitoring the Fund

- ▣ Annual review of financials/ growth of the fund
- ▣ 3 yr. review of cost estimate and assumptions used for long term obligations
- ▣ Corrective actions if conditions change

LTFM Performance (Example)

Example						
Date	Projected Value @ 3.35%	Actual Market Value	Actual Growth	Actual Value less Projected Value	Actual Value to Projected Value	
June-12	\$ 824,022	\$ 824,022				
June-13	\$ 851,627	\$ 909,481	10.37%	\$ 57,854	107%	



LTFM Advantages

- ▣ Allows for:
- ▣ Management of long-term post-mining obligations
- ▣ Operator to cover all future post- mining obligations via NPV

LTFM Disadvantages

- ▣ BLM monitors the fund - potentially for perpetuity
- ▣ Plan does not close as long as there is outstanding closure liability

QUESTIONS?

CONTACT INFORMATION

Lacy Trapp

Land Law Examiner, Bonding

BLM Nevada State Office

ltrapp@blm.gov

Office: (775) 861-6599

Doug Siple

Mining Engineer - BLM/NDEP Liaison

BLM Nevada State Office

dsiple@blm.gov

Office: (775) 861-6636 (BLM)

Office: (775) 687-9390 (NDEP)